



MEMORANDUM

DATE: February 19, 2021

TO: USAID/Management/Office of Acquisition and Assistance/Cost, Audit and Support Division, Supervisory Auditor, Eleanor C. Jefferson

FROM: Director of External Financial Audits Division (IG/A/EFA), David A. McNeil /s/

SUBJECT: Single Audit of Population Services International, for the Fiscal Year Ended December 31, 2018 (3-000-21-004-T)

This memorandum transmits the final audit report on Population Services International (PSI) under Title 2 Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) for the fiscal year ended December 31, 2018. PSI contracted with the independent certified public accounting firm BDO USA, LLP to conduct the audit. The audit report was obtained from the Federal Audit Clearinghouse. The audit firm stated it performed its audit in accordance with generally accepted government auditing standards, and Title 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The audit firm is responsible for the enclosed report and conclusions expressed in it. We do not express an opinion on PSI's financial statements; the effectiveness of its internal control; or its compliance with the award, laws, and regulations.¹

The audit objectives were to: (1) express an opinion on whether the financial statements as of December 31, 2018, were presented fairly, in all material respects; (2) express an opinion on whether the schedule of expenditures of federal awards as required by Title 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, was fairly stated, in all materials respects; (3) describe the scope of testing of internal control over PSI's financial reporting and compliance and the results of that testing, and not

¹We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

to provide an opinion on the effectiveness of PSI's internal control or on compliance; and (4) determine whether PSI complied in all material respects with the types of compliance requirements that could have direct and material effect on each of its major federal programs and described the scope of testing of internal control over compliance and the results of that testing, but not to express an opinion on its effectiveness. To answer the audit objectives, the audit firm performed tests of PSI's compliance with specific provisions of laws, regulations, contracts, and grant agreements and other matters. PSI's audited expenditures of federal awards were \$183,963,488, of which the U.S. Agency for International Development's (USAID) audited expenditures were \$155,464,551 for the fiscal year ended December 31, 2018.

The audit firm expressed an unmodified opinion on the financial statements, the schedule of expenditures of federal awards, and the report on compliance with requirements that could have direct and material effect on each major program, except for total USAID's questioned costs of \$6,499. The audit report identified known questioned costs of \$5,982 (report page 54), and \$517 (report page 57) in the Schedule of Findings and Questioned costs. The audit report disclosed eight findings. The audit firm did not identify any material weaknesses in internal control but did identify findings 2018-001 and 2018-002 as significant deficiencies in internal control over financial reporting, and findings 2018-003 through 2018-008 as significant deficiencies in internal control over compliance. In addition, findings 2018-003, 2018-004, 2018-005, 2018-007, and 2018-008, are instances of noncompliance which are required to be reported in accordance with Uniform Guidance and 2018-008 is also an instance of noncompliance or other matters. Since the questioned costs did not meet the OIG's established threshold of \$25,000 for making a recommendation, we are not making a recommendation. Nevertheless, we suggest that USAID's Office of Acquisition and Assistance, Cost, Audit and Support Division determine the allowability of \$6,499 in USAID's questioned costs and recover any amount determined to be unallowable. In addition, although we are not making recommendations for the significant deficiencies in internal control over financial reporting and internal control over compliance, we suggest that USAID's Office of Acquisition and Assistance, Cost, Audit and Support Division determine if the recipient addressed the issues noted. A management letter was submitted with the audit report.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential").